

## Items of Interest for 2006

---

### **Lower Tax Rates For 2006**

For 2006, the new tax rates range from 2.73% to 4.79%.

### **The Standard Deduction is Indexed for Inflation**

For 2006, the standard deduction for a single taxpayer or a married taxpayer filing a separate return has increased from \$4,125 to \$4,247. The standard deduction for a head of household or a married couple filing a joint return has increased from \$8,250 to \$8,494.

### **Arizona Will Allow an Automatic 6-Month Filing Extension for Taxpayers Requesting an Extension on Arizona Form 204**

Beginning with the 2006 taxable year, an individual filing an individual income tax return, or a fiduciary that is required to file an Arizona Form 141AZ, will be allowed an automatic 6-month extension of time to file the return if the individual or fiduciary timely files Arizona Form 204. If the taxpayer has a federal filing extension, the taxpayer may still use the federal filing extension to file the Arizona return. However, if the taxpayer must make a payment to meet the 90% payment requirement, the taxpayer must use Arizona Form 204 to make that payment.

### **Arizona will not tax Compensation for Active Duty Military Service Paid to Members of the United States Armed Forces**

Beginning with 2006, members of the U.S. armed forces may subtract compensation received for active duty military service, including pay for serving in a combat zone or an area given the treatment of a combat zone. Taxpayers may subtract the amount of such income included in Arizona gross income.

### **New Refund Check-off for the National Guard Relief Fund**

Taxpayers may now give some or all of their refunds to the National Guard Relief Fund. This fund provides financial aid to families of Arizona National Guard members when the National Guard member is placed on active duty and is serving in a combat zone.

### **New Credit for Employing National Guard Members**

This credit is available to an employer if the employer has an employee that is a member of the Arizona National Guard and that employee was placed on active duty military service. Use Form 333 to figure this credit.

### **New Solar Energy Credit**

This credit is available to taxpayers that install solar energy devices for commercial or industrial purposes in the taxpayer's trade or business located in Arizona. Use Form 336 to figure this credit.

### **New Credit for Motion Picture Production Costs**

This credit is available to motion picture production companies that produce motion pictures completely or partially in Arizona. Use Form 334 to figure this credit.

### **Maximum Credit for Contributions Made to Public Schools Increased for Married Taxpayers**

For 2006, the maximum credit for contributions or fees paid to public schools will be increased from \$300 to \$400 for married taxpayers. The maximum credit allowed for single taxpayers or heads of households is not changed and remains at \$200. Use Form 322 to claim this credit.

### **Maximum Credit for Contributions Made to School Tuition Organizations Increased for Married Taxpayers**

For 2006, the maximum credit for contributions made to school tuition organizations will be increased from \$825 to \$1,000 for married taxpayers. The maximum credit allowed for single taxpayers or heads of households is not changed and remains at \$500. Use Form 323 to claim this credit.

### **Maximum Credit for Contributions Made to Charities That Help the Working Poor Increased for Married Taxpayers**

For 2006, the maximum credit for contributions made to organizations that help the working poor has increased from \$300 to \$400 for married taxpayers. The maximum credit allowed for single taxpayers or heads of households is not changed and remains at \$200. Use Form 321 to claim this credit.

### **Refundable Credit for Technology Training Expired**

The refundable credit for technology training was effective for tax years beginning from and after December 31, 2000 and ending before January 1, 2006. Taxable year 2005 was the last year for this credit. As a result of the expiration, Form 329 has been discontinued.

### **Refundable Credit for Taxpayers Participating in an Agricultural Preservation District Expired**

The refundable credit for taxpayers participating in an agricultural preservation district was effective for tax years beginning from and after December 31, 2000 and ending before January 1, 2006. Taxable year 2005 was the last year for this credit. As a result of the expiration, Form 330 has been discontinued.

### **Subtraction Now Allowed on Arizona Form 141AZ for the Amount of Federal Estate Taxes Paid by an Estate**

Beginning with the 2006 taxable year, an estate may subtract on the Arizona Form 141AZ the amount of federal estate tax paid by the estate in the current taxable year.

## 2006 Arizona Tax Rate Tables X and Y For Form 140

If your taxable income is less than \$50,000, use the Optional Tax Rate Table. If your taxable income is \$50,000 or more, use Tax Rate Table X or Y. Also, if your taxable income is \$50,000 or more, you cannot use Form 140EZ or Form 140A to file for 2006. In this case, you must file using Form 140.

**Table X - Use Table X if your filing status is Single or Married Filing Separate**

(a)		(b)	(c)			(d)	(e)		(f)
If taxable income from Form 140, page 1, line 19 is:		Enter the amount from Form 140, page 1, line 19	Multiply the amount entered in column (b) by			Enter the result	Subtract		Your tax. Round the result and enter this amount on Form 140, page 1, line 20
Over	But Not over								
\$0	\$10,000		X	.0273	=	-	0.00	=	
\$10,000	\$25,000		X	.0304	=	-	\$ 31.00	=	
\$25,000	\$50,000		X	.0355	=	-	\$ 158.50	=	
\$50,000	\$150,000		X	.0448	=	-	\$ 623.50	=	
\$150,000	and over		X	.0479	=	-	\$ 1,088.50	=	

**Table Y - Use Table Y if your filing status is Married Filing Joint or Head of Household**

(a)		(b)	(c)			(d)	(e)		(f)
If taxable income from Form 140, page 1, line 19 is:		Enter the amount from Form 140, page 1, line 19	Multiply the amount entered in column (b) by			Enter the result	Subtract		Your tax. Round the result and enter this amount on Form 140, page 1, line 20
Over	But Not over								
\$0	\$20,000		X	.0273	=	-	0.00	=	
\$20,000	\$50,000		X	.0304	=	-	\$ 62.00	=	
\$50,000	\$100,000		X	.0355	=	-	\$ 317.00	=	
\$100,000	\$300,000		X	.0448	=	-	\$ 1,247.00	=	
\$300,000	and over		X	.0479	=	-	\$ 2,177.00	=	